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9. New Hospitals Rate Methodology

New hospitals are those entities that have not provided services prior to January 1, 1996. A change in ownership does not constitute the creation of a new hospital. New hospitals' cost-based rates are based on the peer group average final conversion factor for their hospital peer group less the outlier set aside factor.

10. Change in ownership

When there is a change in ownership, and/or the issuance of a new federal identification, the new provider's cost-based rate will be the same rate as the prior owner's. Depreciation and acquisition costs will be recaptured as required by Section 1861 (V) (1) (0) of the Social Security Act. Mergers of corporations into one entity with subproviders will receive a blended rate based on the old entities rates. The blended rate is weighted by admission for the new entity.

E. RCC RATE METHOD

The RCC payment method is used to reimburse Peer Group A hospitals for their costs and other hospitals for certain DRG exempt services as described in Section C.8. The RCC ratio for out-of-state hospitals is the average of RCC ratios for in-state hospitals. The RCC ratio for in-state and border area hospitals which the State determines have insufficient data or Medicaid claims to accurately calculated an RCC ratio, is also the average of RCC ratios for in-state hospitals.

Hospital's RCC ratios are updated annually with the submittal of new HCFA 2552 Medicare cost report data. Increases in operating expenses or total rate-setting revenue attributable to a change in ownership are excluded prior to computing the ratio.

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F. DISPROPORTIONATE SHARE PAYMENTS

As required by Section 1902(a)(13)(A) and Section 1923(a)(1) of the Social Security Act, the Medicaid reimbursement system takes into account the situation of hospitals which serve a disproportionate number of low-income patients with special needs by making a payment adjustment for eligible hospitals. To be eligible for any disproportionate share program a hospital must meet the Medicaid one percent utilization to qualify. A hospital will receive any one or all of the following disproportionate share hospital (DSH) payment adjustments if the hospital meets the eligibility requirements for that respective DSH payment component. All the DSH payments will not exceed the state's DSH allotment. To accomplish this goal, it is understood in this State Plan, that the State intends to adjust their DSH payments to ensure that the costs incurred by Medicaid and uninsured patients are covered to the maximum extent permitted by the State's DSH allotment.

In accordance with the Omnibus Budget Reconciliation Act of 1993, the amounts paid under DSH programs to public hospitals will not exceed 100 percent of cost.

Cost defined as the cost of services to Medicaid patients, less the amount paid by the State under the non-DSH payment provisions of the State Plan, plus the cost of services to indigent and uninsured patients, less any cash payments made by them.

We will not exceed the DSH State-wide allotment nor allow a hospital to exceed the DSH limit. The following clarification of our process explains our precautionary procedures. All the department's DSH programs' payments are prospective payments and these programs are the LIDSH, MIDSH, GAUDSH, SRHAPDSH, THAPDSH, STHFPDSH, CTHFPDSH and PHDDSH.

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DSH programs for which payments are fixed represent 84 percent of our disproportionate share payments to hospitals. The other two DSH programs, MIDSH and GAUDSH, are paid on a by claims basis. To adjust for these unknowns in the MIDSH and GAUDSH we use SFY94 claims data and estimate what expected expenditures would be paid during the current state fiscal year. This estimate then becomes a part of the hospitals 100 percent limit.

The Medical Assistance Administration (MAA) will monitor payments monthly. Each month MAA will receive an MI Summary Report and GAU Summary Report from our Medicaid Management Information System (MMIS) identifying expenditures paid to each hospital under the MIDSH and GAUDSH programs. Each month we will also receive the DSHS Allotment/Expenditure Transaction Register identifying the remaining DSH program expenditures. The figures in these reports will be accumulated monthly to determine that hospitals have not exceeded the DSH limit. If a hospital reaches its DSH limit, payments will be stopped. If a hospital exceeds it's DSH limit the department will recoup the DSH payments in the following program order, PHDDSH, THAPDSH, CTHFPDSH, STHFPDSH, SRHAPDSH, MIDSH, GAUDSH AND LIDSH. For example, if a hospital were receiving payments from all DSH programs, the over payment adjustment would be made in PHDDSH to the fullest extent possible before adjusting THAPDSH payments. If the DSH state-wide allotment is exceeded we will similarly make appropriate adjustments in program order shown above.

1. Low-Income Disproportionate Share Hospital (LIDSH) Payment

   Hospitals shall be deemed eligible for a LIDSH payment adjustment if:

   a. The hospital's Medicaid inpatient utilization rate (as defined in Section 1923(b)(2)) is at least one standard deviation above the mean Medicaid inpatient utilization rate of hospitals receiving Medicaid payments in the State; or,

   b. The hospital's low-income utilization rate (as defined in Section 1923 (b) (3)) exceeds 25 percent.

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c. Except as specified in Section 1923 (d) (2), no eligible hospital may receive a disproportionate share payment adjustment unless the hospital has at least two obstetricians who have staff privileges at the hospital and who have agreed to provide obstetric services to individuals who are entitled to Medicaid services.

Hospitals deemed eligible under the above criteria shall receive disproportionate share payment amounts which in total will equal the funding set by the State's appropriations act for LIDSH. The process of apportioning payments to individual hospitals is as follows:

A single base payment is selected that distributes the total LIDSH appropriation. For each hospital, the base payment is multiplied by the hospitals low income utilization factor standardized to one, by the hospital's most recent Fiscal Year case mix index, currently 1993, and by the hospital's subsequent year's estimated admissions of Title XIX eligibles. The results for all hospitals are summed and compared to the appropriated amount.

If the sum differs from the appropriated amount, a new base payment figure is selected. The selection of base payment figures continues until the sum of the calculated payment equals the appropriated amount. The appropriation amount may vary from year to year. Each hospital's disproportionate share payment is made periodically.

2. Medically Indigent Disproportionate Share Hospital (MIDSH) payment

Effective July 1, 1994, hospitals shall be deemed eligible for a MIDSH payment if:

a. The hospital is an in-state or border area hospital; and,

b. The hospital provides services to low-income, Medically Indigent (MI) patients. MI persons are low-income individuals who are not eligible for any health care coverage and who are encountering an emergency medical condition; and,

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c. The hospital has a low-income utilization rate of one percent or more; and,

d. The hospital has at least two obstetricians with staff privileges at the hospital who have agreed to provide obstetric services to individuals who are eligible for Medicaid, provided the hospital offers non-emergency obstetric services to the general population and is not a rural hospital.

Hospitals qualifying for MIDSH payments will receive a periodic per claim payment. The payment is determined for each hospital by reducing the regular Medicaid payment by a ratable reduction factor and equivalency factor adjustment. The ratable reduction is inversely proportional to the percent of a hospital's gross revenue for Medicare, Medicaid, Labor and Industries, and charity. The equivalency factor reduction is a budget neutral adjustment applied to all hospitals. The equivalency factor ensures that MIDSH payments will equal the State's estimated MIDSH appropriation level. Effective for admissions on or after July 1, 1994, the payment is reduced further by multiplying it by 97 percent. The resulting payment is directly related to the hospital's volume of services provided to low-income MI patients. This payment reduction adjustment is applied to the MIDSH methodology established and in effect as of September 30, 1991 in accordance with Section 3(b) of the "Medicaid Voluntary Contributions and Provider-Specific Tax Amendment of 1991."

3. General Assistance Unemployable Disproportionate Share Hospital (GAUDSH) payment

Effective July 1, 1994, hospitals shall be deemed eligible for a GAUDSH payment if:

a. The hospital is an in-state or border area hospital; and,

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b. The hospital provides services to low-income, General Assistance Unemployable (GAU) patients. GAU persons are low-income individuals who are not eligible for any health coverage and who are encountering a medical condition; and,

c. The hospital has a low-income utilization rate of one percent or more; and,

d. The hospital has at least two obstetricians with staff privileges at the hospital who have agreed to provide obstetric services to individuals who are eligible for Medicaid, provided the hospital offers non-emergency obstetric services to the general population and is not a rural hospital.

Hospitals qualifying for GAUDSH payments will receive a periodic per claim payment. The payment is determined for each hospital by reducing the regular Medicaid payment by a ratable reduction factor and equivalency factor adjustment. The ratable reduction is inversely proportional to the percent of a hospital's gross revenue for Medicare, Medicaid, Labor and Industries, and charity. The equivalency factor reduction is a budget neutral adjustment applied to all hospitals. The equivalency factor insures that GAUDSH payments will equal the State's estimated GAUDSH appropriation level.

4. Small Rural Hospital Assistance Program Disproportionate Share Hospital

Effective July 1, 1994, hospitals shall be deemed eligible for a Small Rural Hospital Assistance Program Disproportionate Share Hospital (SRHAPDSH) payment if:

a. The hospital is an in-state (Washington) hospital; and

b. The hospital provides at least one percent of its services to low-income patients in rural areas of the state; and

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c. The hospital is a small, rural hospital, defined as a hospital with fewer than 75 licensed beds and located in a city or town with a non-student population of 13,000 or less; and

d. The hospital qualifies under Section 1923(d) of the Social Security Act.

Hospitals qualifying for SRHAPDSH payments started earning payments under this plan July 1, 1994, from a legislatively appropriated pool. The apportionment formula is based on each SRHAPDSH hospital's Medicaid and other low-income reimbursement during the most current state fiscal year less any low income disproportionate share payments.

To determine each hospital's percentage of Medicaid payments, the sum of individual hospital payments is divided by the total Medicaid payments made to all SRHAPDSH hospitals during the most currently available state fiscal year. The percentage is then applied to the total dollars in the pool to determine each hospital's payment. Each Public Hospital's total DSH payments will not exceed a ceiling of 100 percent of the projected cost of care, cost is defined as the cost of services to Medicaid patients, less the amount paid by the State under the non-DSH payment provision of the State Plan, plus the cost of services to uninsured patients, less any cash payments made by them. Dollars not allocated due to the limitation imposed by the 100 percent of the projected cost of care for Medicaid and Uninsured Indigent Patient ceiling are reallocated to the remaining hospitals in the SRHAPDSH pool. The payments are made periodically. SRHAPDSH payments are subject to federal regulation and payment limits.

5. Teaching Hospital Assistance Program Disproportionate Share Hospital (THAPDSH)

Effective July 1, 1994, teaching hospitals shall be deemed eligible for the Teaching Hospital Assistance Program Disproportionate Share Hospital (THAPDSH) program if they meet the following eligibility standards:

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a. The hospital must be a Washington State university hospital; and

b. The hospital must have at least two obstetricians with staff privileges at the hospital who have agreed to provide obstetric services to individuals who are entitled to medical assistance for such services. This standard does not apply to hospitals which do not offer non-emergency obstetric services to the general population; and

c. The hospital must have a Medicaid low-income utilization of 20 percent or above.

Hospitals qualifying for THAPDSH payments started receiving payments under this plan July 1, 1994. THAPDSH payments will be made from a legislatively appropriated pool and are equally divided between THAPDSH qualified hospitals.

6. State Teaching Hospital Financing Program Disproportionate Share Hospital:

Effective June 15, 1997, hospitals shall be deemed eligible for a State Teaching Hospital Financing Program Disproportionate Share Hospital (STHFPDSH) if:

a. The hospital provides at least 20 percent of its services to low-income patients; and,

b. The hospital is a Washington state-owned university hospital (border area hospitals are excluded); and,

c. The hospital provides a major medical teaching program, defined as a hospital with more than 100 residents or interns; and,

d. The hospital qualifies under section 1923(d) of the Social Security Act.

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The hospitals deemed eligible under the above criteria shall receive a periodic disproportionate share payment amount which in total will equal 70 percent of the legislatively appropriated pool only for disproportionate share payment to state and county teaching hospitals. The STHFPDSH payments may vary and are contingent upon the federal allotment for state disproportionate share cap.

7. County Teaching Hospital Financing Program Disproportionate Share Hospital:

Effective July 1, 1993, hospitals shall be deemed eligible for a County Teaching Hospital Financing Program Disproportionate Hospital (CTHFPDSH) payment if:

a. The hospital provides at least 25 percent of its services to low-income patients;

b. The hospital is a county hospital in Washington State (border area hospitals are excluded);

c. The hospital provides a major medical teaching program, defined as a hospital with more than 100 residents or interns; and,

d. The hospital qualifies under section 1923 (d) of the Social Security Act.

The hospitals deemed eligible under the above criteria shall receive a periodic disproportionate share payment amount which in total will equal 30 percent of the legislatively appropriated pool only for disproportionate share payments to state and county teaching hospitals. The CTHFPDSH payments may vary and are contingent upon the federal allotment for state disproportionate share cap.

8. Public Hospital District Disproportionate Share Hospital:

Effective June 1, 1995, hospitals shall be deemed eligible for a Public Hospital District Disproportionate Hospital (PHDDSH) payment if:

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a. The hospital provides at least 1 percent of its services to low-income patients;

b. The hospital is a Public District Hospital in Washington State (as of June 15, 1997, border area public hospitals are included);

c. The hospital qualifies under section 1923 (d) of the Social Security Act.

Public hospital districts are organized and exist as a result of The Washington legislature authorization of public hospital districts. Public hospital districts are authorized to own and operate hospitals and other health care facilities and to provide hospital services and other health care services for the residents of such districts and other persons. Border area public hospitals are border area hospitals owned by a public corporation or public hospital district in a border area state. Hospitals that apply and are deemed eligible under the above criteria shall receive a disproportionate share payment for hospital services during the State's fiscal year that in total will not exceed 100 percent of cost as defined in Section 1923(g) of the Social Security Act. Each hospital will receive a payment based on the factors specified in Section 1923(g) of the Social Security Act.

Hospitals deemed eligible under the above criteria shall receive a periodic disproportionate share payment amount. The pool for PHDDSH payments is legislatively appropriated. The PHDDSH payments may vary and are contingent upon the federal allotment for state disproportionate share cap.

G. CUSTOMARY CHARGE PAYMENT LIMITS

As required by 42 CFR 447.271, total Medicaid payments to each hospital for inpatient hospital services to Medicaid recipients shall not exceed the hospital's customary charges to the general public for the services. The state may recoup amounts of total Medicaid payments in excess of such charges.